

Economic Benefit of the Hardin Correctional Facility to the Community and the Region

Background

The City of Hardin and the local economic development organization, Two Rivers Authority (TRA) are in the mid-stage development of a 450 bed correctional facility in Hardin. The facility will be owned by the City and TRA with the operations being managed by CiviGenics, a professional corrections management company. The Hardin Correctional Facility was designed to accommodate the needs of short term detention and handling of inmates from federal, state and local enforcement agencies. The facility meets the American Correctional Association standards and specifications for a medium security detention center.

The City of Hardin was involved in numerous discussions during the site assessments of the Prison, now located in Shelby. While the community chose to not pursue that facility, the lessons learned in that process indicated to many in the community that a correction facility could be a viable economic strategy. With Big Horn County unemployment rates at over 14% and per capita income in the county being among the lowest in the nation, bringing a significant employment source to the community was a good starting point in an effort to develop momentum in an economic development effort. More importantly, the jobs being created are positions which individuals can be readily trained for and will pay a family wage.

With these things in mind, the City and TRA commissioned a study to determine the feasibility of the project. During that time, law enforcement agencies at all levels were approached for input. The study indicates a high level of interest in having additional space available. The City, through TRA issued \$27.6 million dollars in revenue bonds to design, construct and start-up the facility. As stated, construction is nearing a "dried-in" state, with anticipated completion in April of 2007. The facility will be capable of housing inmates on June 1, 2007.

Gauging Economic Benefit

This project will bring obvious economic benefits to the community in terms of jobs. There are additional benefits which trickle throughout the community and region as well. Economic developers use an estimation called a "multiplier" to provide a closer assessment of how a project will effect a community. Basically stated, the multiplier implies that as a wage earner receives his paycheck, that money flows into the local economy. In the best situations, that money changes hands as many as seven times before leaving the community. This multiplier effect essentially defines the level of trade anticipated in the community based on an educated guess of that multiplier. It is our intent to be conservative with that estimate for purposes of this document.

The benefits of the Hardin Correction Center can be measured in three distinct categories. These are:

- Construction Impacts
- Operational Impacts (Direct)
- Ancillary Impacts (Indirect)

The construction cost of the Hardin facility have been estimated at \$19 million dollars. The contractor, Hale-Mills of Houston, Texas has done an outstanding job of utilizing local labor and material suppliers during the construction. **At this point, approximately 77% of the construction labor and materials have been obtained locally.** How the total project will impact the local economy is depicted in the following table.

Construction Impacts

	Amount	Multiplier	Total
Design, Engineering - Outside	\$3,700,000	0	0
Construction Labor – local hires	\$4,611,086	4	\$18,444,344
Construction Labor – Non-local hires	\$1,526,239	2	\$3,052,478
Materials – locally supplied	\$7,851,310	5	\$39,256,550
Materials – Supplied from out of area	\$2,196,295	0	0
Totals	\$19,884,930		\$60,753,372

When operational, the facility will employ 132 people with wag levels ranging from \$15,360 (Receptionist) to \$72,000 (Warden). Total payroll for the Center will be \$2,536,536. Because of the local shortage of housing, it is expected that approximately 40% of employees will live in the immediate community, with the remainder living within an hour's commute. The multipliers are calculated as follows.

Operations Impacts - Direct

	Amount	Multiplier	Total
Employees – Living Locally	\$1,014,614	5	\$5,073,070
Employees – Commuters	\$1,521,922	1	\$1,521,922
Totals	\$2,536,536		\$6,594,993

Obviously, the Hardin community will see great value in the development of additional housing to facilitate more of these employees.

A category which is somewhat difficult to estimate, but is significant is the indirect job creation due to the increased business activity. Many economists indicate that for every 2 jobs created the community will see 1 additional job somewhere in the service sector. Our estimation, to lean toward the conservation side is that Hardin will see 1 ancillary position for every 3 employees. The region will see 1 new position for every 4 created at the Center. This impact could be estimated as follows:

Operations Impact - Indirect

	New Positions	Payroll*	Multiplier	Totals
Ancillary Employment - Locally	17	\$272,844	5	\$1,364,220
Ancillary Employment - Regionally	20	\$308,880	1	\$308,880
Total				\$1,673,100

- Use a service sector wage of \$15,600 (\$7.50/hr)

Again, the Hardin Community would be well advised to increase opportunities for employees to live and work in the local community. Critical to observe though, is while there is a tremendous impact to the local economy, the adjacent communities, in particular, Billings, will see substantial benefit as well.

One reason Hardin chose to be the owner of the facility in order to direct as much of the economic benefit as possible to local individuals and people. As can be seen by this analysis, the overall impact from construction exceeds \$60 million. The operational phase will in total create a local stimulus of just under \$8 million. According to the Bureau of Economic Research's statistics, this boost will increase Hardin's total trade by about 8%.